LIBRARY
SUPREME COURT, U. S.

FILED
JUL 31 19
JOHN F. DAVIS, C

No. 443

In the

Supreme Court of the United States

OCTOBER TERM, 1967

COULTER ELECTRONICS, INC.,

Petitioner,

vs.

A. B. LARS LJUNGBERG & CO.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

MYRON C. CASS
I. Irving Silverman
105 West Adams Street
Chicago, Illinois
Attorneys for Petitioner

Of Counsel:
SILVERMAN & CASS
HERBERT J. SINGER
105 West Adams Street
Chicago, Illinois

The Scheffer Press, Inc.—ANdover 3-6850

TABLE OF CONTENTS

	PAGE
Citations to Opinions Below	1
Jurisdiction	2
Questions Presented	2
Statutes Involved	2
Statement of The Case	3
Reasons for Granting The Writ	7
Conclusion	13

TABLE OF AUTHORITIES.

CASES.

Fourco Glass Co. v. Transmirra Product Corp. (1957) 353 U.S. 222	7
In re Hohorst (1893) 150 U.S. 653	10
Olin Mathieson Chemical Corp. v. Molins Organizations, Ltd. (E.D.Va., 1966) 261 F. Supp. 436	11
Schnell v. Peter Eckrich & Sons (1960) 365 U.S. 260	7
Shapiro v. U.S. (1948) 335 U.S. 1	9

STATUTES.

28 U.S. Code, Section 1338 (a)	2
28 U.S. Code, Section 1391 (d)	2
28 U.S. Code, Section 1400 (b)	2, 8

MISCELLANEOUS.

General Agreement of Tariffs and Trade, 1964-1967 Trade Conference, Geneva, Switzerland	9
Moore, Federal Practice, Vol. 1, ¶0.142 [6], p. 1510	11
President's Commission Report on the Patent System, November 17, 1966	11
United States Foreign Trade Summary Report, No. FT 900-I, December, 1966	7

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1967

No.

COULTER ELECTRONICS, INC.,

Petitioner,

vs.

A. B. LARS LJUNGBERG & CO.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit entered on May 9, 1967.

OPINIONS BELOW

The memorandum opinion of the District Court for the Northern District of Illinois (R.73)* is not reported but is printed in the Appendix hereto, *infra*, P. 1a. The opinion of the Court of Appeals for the Seventh Circuit, printed in the Appendix hereto, *infra*, P. 3a, is reported at 376 F.2d 743.

---

* All such record citations are to the Appendix to Brief For Plaintiff-Appellant filed with the Court of Appeals for the Seventh Circuit.

JURISDICTION

The judgment of the Court of Appeals for the Seventh Circuit was entered on May 9, 1967. A petition for rehearing was not filed. Jurisdiction of this Court is invoked under Title 28, U.S. Code, Section 1254(1).

QUESTION PRESENTED

Whether the patent venue provisions of Title 28, U.S. Code, Section 1400(b) should be construed to confer personal jurisdiction over a corporate alien patent infringer which does not maintain an office or place of business in the United States in its own name but which has been operating in this country in a regular and established manner through a United States based distributor and currently, through a sole and exclusive distributor.

STATUTES INVOLVED

28 U.S.C. 1338(a) provides:

Patents, copyrights, trademarks and unfair competition.

The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

28 U.S.C. 1400(b) provides:

Patents and copyrights.

Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

28 U.S.C. 1391(d) provides:

An alien may be sued in any district.

STATEMENT OF THE CASE

The verified Amended Complaint charges infringement of two patents (R.7). Respondent moved timely to quash service of process and dismiss the Amended Complaint for lack of proper venue. The District Court granted the motion and dismissed the case "because of improper venue" (R.72).

The Parties

Petitioner, Coulter Electronics, Inc., is an Illinois corporation with extensive manufacturing, sales and distribution facilities in the United States for the patented products (R.70) which are referred to generally, as particle analyzing instruments.

Respondent, A. B. Lars Ljungberg & Co., is an alien (Swedish) corporation. Respondent manufactures the accused particle analyzing instruments, which are known by the trademark "Celloscope", in Sweden and elsewhere outside of the United States and ships them to the United States for resale through an exclusive and sole distribution agency.* Respondent does not have or maintain an office or place of business in the United States which is listed in its name.

Proceedings in the District Court

The original Complaint (R.2) named Lars Ljungberg, a Swedish national, as a co-defendant with respondent. Mr. Ljungberg is President of respondent. At the time of filing the Complaint, Mr. Ljungberg was in Chicago for

---

*The sole and exclusive distributing agency in the United States for the Celloscope instruments is Particle Data Laboratories, Inc. ("PDL"), an Illinois corporation, having its only place of business in the Northern District of Illinois (R.28).

a trade show at which the Celloscope instruments were being displayed at the booth of PDL. An attempt to serve summons upon Mr. Ljungberg at this time failed.

Thereafter, petitioner obtained leave to file an Amended Complaint and drop the individual, Lars Ljungberg, as a party defendant (R.6). The Amended Complaint and an Alias Summons were then served personally on Robert H. Berg, President of PDL, pursuant to Rule 4(d)(3) of the Rules of Civil Procedure so as to effect service of process on respondent.

Respondent filed its motion to quash service of process and to dismiss the action for lack of proper venue under 28 U.S.C. §1400(b) accompanied by a statement purporting to be signed by Lars Ljungberg but not under oath, the affidavit of Robert H. Berg and a copy of an instrument entitled "Sales Agreement" between respondent and PDL (R.14). Petitioner took the deposition upon oral examination of Robert H. Berg (R.24) and filed a brief opposing the motion, accompanied by the affidavit of Joseph R. Coulter, Jr., President of petitioner (R.57). The District Court's decision was based on this submitted material.

Facts Pertaining to Relationship Between Respondent and PDL

Respondent manufactures the Celloscope instruments in Sweden and air freights the same to PDL in Chicago where PDL obtains physical possession thereof. Respondent claims to transfer title to the instruments upon delivery thereof to the carrier in Sweden.

The Sales Agreement names respondent as the manufacturer and states that the parties desire "to provide for exclusive distribution and sale of ABL (respondent) equipment" in the United States and "to provide for the use, licensing and control of certain trademarks." (R.16). Respondent agrees not to sell or ship such equipment to

the United States except by direction of PDL as stated in Paragraph 2 of the Sales Agreement (R.17). PDL agrees not to manufacture analysis equipment "in competition with ABL (respondent) equipment nor will it manufacture or sell competing parts" except as noted in Paragraph 3 of the Sales Agreement (R.18).

Although Paragraph 6 of the Sales Agreement (R.18) specifies payment for the equipment to be cash on delivery unless otherwise agreed, a substantial number of Celloscope instruments were delivered to PDL without payment. No evidence was produced by PDL of another agreement by way of explanation (R.40; R.42-43).

Paragraph 9 identifies respondent as the owner of the "Celloscope" trademark and grants to PDL an exclusive license to use the trademark in the United States (R.19). Paragraph 16 assures reassignment by PDL to respondent of all rights to the trademark "Celloscope" upon termination of the agreement. The agreement is governed by Illinois Law as specified in Paragraph 17 (R.21).

The Celloscope instruments are maintained in inventory by PDL (R.36) and have been sold in Illinois (R.37), so that acts of infringement have occurred in the Northern District of Illinois. There is no issue as to jurisdiction over the subject matter of this suit.

Since July, 1964, the date of the Sales Agreement, respondent has delivered to PLD between thirty and forty Celloscope instruments (R.39). All of these instruments are in the United States in the possession of PDL (R.40). These instruments sell for approximately $1800, or more, depending on the model of the instrument (E.8).*

---

* All such exhibit citations are to Plaintiff-Appellant's Book of Exhibits Submitted Under Court of Appeals Rule 18(a) filed with the Court of Appeals for the Seventh Circuit.

Notwithstanding that the Sales Agreement identifies respondent as the manufacturer of the Celloscope instruments, and the fact that the instruments carry conforming nameplates (E.2; E.3; E.6; R.48), PDL also represents to its customers and prospective customers that it is the manufacturer of the Celloscope instruments (E.9; E.10; R.45-49), so that purchasers of the Celloscope instruments can be led to believe they always are dealing with the manufacturer.

Respondent has been conducting business in the United States in the Celloscope instruments at least since 1960. A consent judgment of infringement of the two patents in suit was entered in the District Court for the Southern District of New York, in *Coulter Electronics, Inc.* v. *Schueler & Co. et al.*, Civil Action No. 60 Civ. 540, in July, 1961, against a then dealer of respondent selling the Celloscope instruments (R.71). Respondent did not appear in that case.

There has been a continuous history of conflict between these parties because of infringement of corresponding subject matter patents by the Celloscope instrument. This conflict was carried to many foreign countries, for instance, Germany, France, Mexico, Great Britain, and others (R 70). There is a judgment for patent infringement in Mexico and a judgment for infringement in France from which an appeal was taken unsuccessfully by Mr. Ljungberg. Although these additional conflicts occurred in foreign jurisdictions, they characterize the competitive tactics of respondent in connection with the Celloscope instruments (R.70).

The Court below affirmed the dismissal order of the District Court stating that respondent did not have a regular and established place of business in the Northern

District of Illinois as called for literally by 28 U.S.C. §1400(b). Further, the Court held that "Faced with two conflicting views as to proper interpretation of Section 1400(b)" it chose to follow the rulings of the Supreme Court in *Fourco Glass Co.* v. *Transmirra Products Corp.* (1957) 353 U.S. 222, and *Schnell* v. *Peter Eckrich & Sons* (1960) 365 U.S. 260, to the effect that Section 1400(b) controls venue in this case, Appendix, *infra*, P. 3a.

This petition for the writ of certiorari seeks a review of the judgment of the Court of Appeals based on that decision.

REASONS FOR GRANTING THE WRIT

1. Unless this Court takes positive, definitive action, a foreign manufacturer will continue to succeed in infringing United States patents with impunity by the subterfuge of technical passing of title of the accused product in the foreign country. This is a matter of extreme public importance in view of this country's mushrooming commercial and business intercourse with foreign-based businesses.*

The Court of Appeals summarized the problem well as seen from the following statements:

> * * * Plaintiff further says that Section 1400(b) should be construed to give a patent owner means for proceeding against an alien corporate infringer in a federal district court upon whom exclusive subject matter jurisdiction for patent infringement proceedings is conferred by statute.

---

*It is significant to note that importation into the United States has been ever on the increase, and particularly, within the past ten years, has nearly doubled. Total general imports amounted to $13.0 billion in 1957, and $25.6 billion in 1966. *United States Foreign Trade Summary Report,* No. FT 900-I, December, 1966.

Plaintiff concludes its argument thusly—

"Plaintiff does not ask that legislative action be taken by this Court. Rather, this Court is asked to construe Section 1400(b) in a realistic and practical manner to confer personal jurisdiction over an alien patent infringer operating in this country through a sole and exclusive distributor".

In spite of plaintiff's protests, we think it is asking us for "judicial legislation." It may well be that Congress should take appropriate action so that a foreign manufacturer may not infringe United States Patents with impunity and sell the infringing device in this country by means of an exclusive sales contract which provides for a passing of title of the product in the foreign country.

Clearly, asking this Court to take positive, definitive action where a federal statute must be construed to establish the intent and meaning thereof is not asking for "judicial legislation". The meaning of Section 1400(b), in instances where an alien manufacturer is concerned, requires such positive, definitive action by this Court in order to enable the federal courts to resolve controversies under the patent statutes and to prevent them from being stymied. It was neither the intention of Congress in enacting the patent venue statute, nor of this Court in its prior decisions relied upon by the Court of Appeals, to prevent patent infringement action under any and all circumstances against an alien corporate infringer which does substantial businesss in this country through a sole and exclusive distributor.

Could it be said that Congress, by enacting the patent venue statutes, and this Court, in its prior interpretation thereof, deliberately intended to grant a special privilege to an infringer because it is a corporate alien operating through a sole and exclusive distributor? Is this an im-

munity which inexorably follows from a reading of the law and its past interpretation by this Court? The Court below would answer affirmatively, and thus choose to advocate an untrammeled use of intellectual property. Unquestionably this Court should lay at rest once and for all the doubts which exist and enunciate the true meaning of the statute.*

The Court must face this contemporary problem which the Court of Appeals side-stepped, relying erroneously upon this Court's prior decisions on patent venue problems which did not concern such an alien domiciled manufacturer charged with infringing activities committed in this country through its sole and exclusive distributor.

Prevailing federal government philosophy is to encourage importation of foreign-made products, as evidenced by President Johnson's recent signing of the Kennedy round tariff agreements (General Agreement of Tariffs and Trade, 1964-1967 Trade Conference, Geneva, Switzerland), a report concerning which was made by the Office of Special Representative for Trade Negotiations. An explanatory note in this report states, in part,

> The basic tariff reduction authority granted to the President by the Trade Expansion Act was to reduce duties by 50 percent of the rate existing on July 1, 1967.

It is unrealistic and impractical to encourage such increased introduction into the United States of foreign-made products which will compete with American-made products but, which will not be subject to U. S. patent

---

* In *Shapiro* v. *U. S.* (1948) 335 U.S. 1, a writ of certiorari was granted where the question presented concerned an important question of statutory construction just as is here involved.

laws because the alien manufacturer does not list a place of business in this country and uses the subterfuge of title transfer to his product outside the country prior to its entry.

The question presented is of importance also because it concerns the jurisdiction of the United States courts and the construction and application of an Act of Congress. Settlement of the question by this Court clearly is in the public interest, since it is likely to be repeated with increasing incidence in patent infringement controversies involving alien foreign corporations operating in this country through a sole and exclusive distributor, for instance, or other agency. The alien corporation should not remain insulated from the sanctions of the federal judiciary system for resolving patent disputes.

The problem is a genuine one. It arises while we are on the threshold of a new era of commerce, where the arts and sciences are to be encouraged, not discouraged. Why should an American disclose his invention to have it flagrantly lifted by the foreign maker whose ease of infringement is sanctioned by an erroneous interpretation of the law?

2. The decisions of the courts below in the instant case are in conflict with applicable decisions of the Supreme Court. The case of *In re Hohorst* (1893), 150 U.S. 653, Appendix, *infra*, P. 9a, is still sound law and has never been reversed or modified by the Supreme Court. The Court held in *Hohorst* (p. 662):

> Upon deliberate advisement, and for the reasons above stated, we are of the opinion that the provision of the existing statute, which prohibits suit to be brought against any person "in any other district than that whereof he is an inhabitant" is inapplicable to an alien or foreign corporation sued here, and especially in a suit for the infringement of a patent

> right; and that consequently, such a person or corporation may be sued by a citizen of a state of the Union in any district in which valid service can be made upon the defendant.

The *Hohorst* decision specifically has never been reviewed by the Supreme Court; nor has it ever been overruled. Since *Hohorst,* the Court has had no occasion to review the law regarding the patent venue provisions applicable to an alien corporation doing business in this country through a distributor. This lack of a recent authoritative decision has caused confusion among the authorities and the courts. In addition to the conflict with applicable decisions of the Supreme Court, the courts below are in conflict with the District Court case of *Olin Mathieson Chemical Corp.* v. *Molins Organizations, Ltd.,* (E.D. Va., 1966), 261 F. Supp. 436, Appendix, *infra,* p. 21a, and with Professor Moore, 1 Moore, Federal Practice, ¶0.142[6] at p. 1510.

The question presented is in dispute and will remain so until settled by the Supreme Court.

3. On April 8, 1965, President Johnson established the President's Commission on the Patent System, by Executive Order No. 11215. The Commission was directed to "recommend to the President steps to ensure that the patent system will be more effective in serving the public interest in view of the complex and rapidly changing technology of our times." The Commission's report was transmitted to the President on November 17, 1966 and in the Introduction to the Commission's report, some considerations are set forth as follows:

> First, a patent system provides an incentive to invent by offering the possibility of reward to the inventor and to those who support him. This prospect encourages the expenditure of time and private risk capital in research and development efforts.

> Second, and complementary to the first, a patent system stimulates the investment of additional capital needed for the further development and marketing of the invention. In return, the patent owner is given the right, for a limited period, to exclude others from making, using or selling the invented product or process.
>
> Third, by affording protection, a patent system encourages early public disclosure of technological information, some of which might otherwise be kept secret. * * *
>
> Fourth, a patent system promotes beneficial exchange of products, services and technological information across national boundaries by providing protection for industrial property of foreign nationals.

The Commission's report thereafter identified as one of its objectives:

> 4. To reduce the expense of obtaining and litigating a patent.

In connection with this objective, the Commission's recommendations in Section 23, 24 and 25 are relevant to patent litigation. These recommendations are designed to reduce the burden of litigating patent validity and infringement. In the same context, this Court can also consider the problem of repeated litigation involving a patent which is encouraged where the manufacturer of the accused product is an alien manufacturer. A judgment against the first distributor of such an alien manufacturer is not *res judicata* as to a subsequent distributor not a party to the first litigation where the alien manufacturer also is not a party to this litigation.*

---

* Proposed legislation to implement the Commission's report has been sent to the Congress and presently is referred to the Committee on the Judiciary as Senate Bill S. 1042 and House Bill H.R. 5924.

In view of these considerations, the venue provisions of the Judicial Code as they relate to an alien manufacturer which exports accused products to the United States without itself having an office or place of business in its own name in the country should be reviewed. Avoiding a multiplicity of lawsuits on the same accused product and affording proper patent protection against such an infringer is a matter of significant public interest warranting the attention of this Court.

CONCLUSION

For the foregoing reasons, petitioner respectfully requests that the Petition for Certiorari be granted.

Respectfully submitted,

MYRON C. CASS
I. IRVING SILVERMAN
105 West Adams Street
Chicago, Illinois
Attorneys for Petitioner

Of Counsel:
SILVERMAN & CASS
HERBERT J. SINGER
105 West Adams Street
Chicago, Illinois

August, 1967